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*Captain's Call*

Thrift Savings Plan Provides Important Benefits to Troops

WASHINGTON, (NNS) -- More service members need to take advantage of the Thrift Savings Plan (TSP), an attractive investment option with unique benefits for military members.

TSP is a retirement savings plan for service members and civilian federal employees. Right now TSP draws participation from about half of the military, said Army Maj. John Johnson, director of the Armed Forces Tax Council.

"Certainly we'd like to see that participation rate go up, because it's a great benefit," Johnson said. "It's important that everyone obviously be saving for their retirement in the first place, and if you're going to be saving, the first place you want to put it is in tax-deferred or tax-exempt retirement accounts."

TSP is a tax-deferred fund, which means the money contributed to the account is deducted before taxes are assessed, and the money in the fund isn't taxed until it is withdrawn at retirement. This represents a significant savings over the years, Johnson explained.

"If you look over your whole 40-year career, generally speaking, you're going to pick up a couple hundred thousand dollars by contributing to a tax-deferred account as opposed to a taxed account," said Johnson.

The only limit on the amount of money a service member could contribute to a TSP account is the Internal Revenue Service's \$15,000 per-year limit on contributions to tax-deferred accounts, he said.

Troops deployed to tax free zones have different limits in TSP because their income is tax-exempt and the IRS has a separate limit for that category, they can contribute up to \$44,000 per year, he said.

The Army is testing a program where the service matches soldiers' contributions to TSP, Johnson said. This program only applies to new enlistees who fill critical specialties. The Army will match 5 percent of the pay the Soldier contributes to TSP; the first 3 percent will be matched dollar for dollar, and the next 2 percent matched 50 cents on the dollar, he said.

"You'll have a hard time beating TSP," he said.

Thrift Savings Plan

